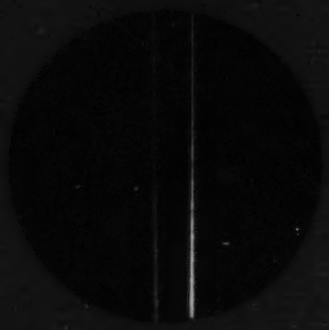
NOVA SCOTIA BUSINESS INC. 2007/2008 ANNUAL REPORT



Nova Scotia Business Inc. is the province's private sector-led business development agency. Through trade development, investment attraction, business advisory services, business financing and venture capital, we assist local companies and attract international companies to Nova Scotia.

From i to we. NSBI never acts alone. We continue to strengthen our partnerships across the province and around the world. We collaborate so international companies can learn about Nova Scotia and so local companies can reach new markets. There is a story behind each of our activities across the province in 2007/08. It starts with one person or one company, but the story is bigger, the picture is bigger. Every new opportunity reveals another one to explore. We see new, greater opportunities our clients and our initiatives have created in communities across the province. See for yourself.

Stephen Lund
President & Chief
Executive Officer

"The 2007/08 year was packed with world-class business growth in Nova Scotia. From New York to India, people are taking notice."

Doug Hall
Chair of the Board

Capital Authorizations

Diaphonics	$500,000
Origin BioMed	$1,000,000
Impath Networks Limited	$2,000,000
Surrette Battery Company	$225,000 $74,000
Parrsboro Metal Fabricators Limited	$600,000 $138,000
Naturally Nova Scotia Health Products Limited	$75,000 $150,000
Renewable Energy Services	$1,500,000
W.R. Benjamin Limited	$124,250
Stark Oil Purification Systems	$200,000

Investment Attraction Authorizations

IT Interactive Services

Minacs Worldwide

General Dynamics Canada

IMP Aerospace Components

Trihedral Engineering Limited

Acrobat Research Nova Scotia Limited

Paragon Advanced Development Limited

Keane Canada

Ascenta Health Limited

Modern Media

Atlantic All-Weather Windows Limited

ICT Group

Citco Group

Atlantic New Technology Development

Register.com

Message from the President and CEO, and the Chair of the Board

NSBI continues to break new ground for our province.

We are dedicated to growing this economy and we remain accountable to every Nova Scotian. The 2007/08 annual report shows our results and we congratulate our team and our board of directors on another successful year.

The 2007/08 year was packed with world-class business growth in Nova Scotia. From New York to India, people are taking notice.

Why?

We're proving Nova Scotia is competing and winning in the global economy. And we've done it despite challenges – the effect of the Canadian dollar, lagging productivity and the battle for talent.

Our front-line business advisory team works hard for companies across the province. They know what's going on, they build strong partnerships and they pro-actively seek out business opportunities. This year, the team met with more than 600 companies to assist them in their growth.

NSBI's trade programs and missions kept the trade development team on the road. The team arranged more than 1,800 selling and partnering meetings in international markets for Nova Scotia companies. By hopping on planes, identifying new markets and following through on leads, companies have reported more than $93 million in actual and projected export sales.

The business financing team had a busy year, first modifying and then applying an existing tool – the payroll rebate. The modifications to the rebate address concerns and questions we heard from business leaders across the province. Companies can now use the tool to boost their competitiveness. This year, the business financing team completed six term loans and assisted three companies through the expanded use of the payroll rebate.

NSBI's venture capital team not only invested in, but partnered with companies to provide capital, strategic direction, and business and financial advice. In 2007/08 the team added three companies to its portfolio and invested $3.5 million.

Our investment attraction team continued to attract new international companies to our province and worked with local companies to expand their operations. The team completed 15 transactions, which are expected to result in up to 3,000 new jobs.

We had a great year.

At NSBI, we work with passion to grow our province. This is an exciting time for Nova Scotia. Together, we've built the momentum, so let's use it, act on it and continue to deliver results. The time is now.

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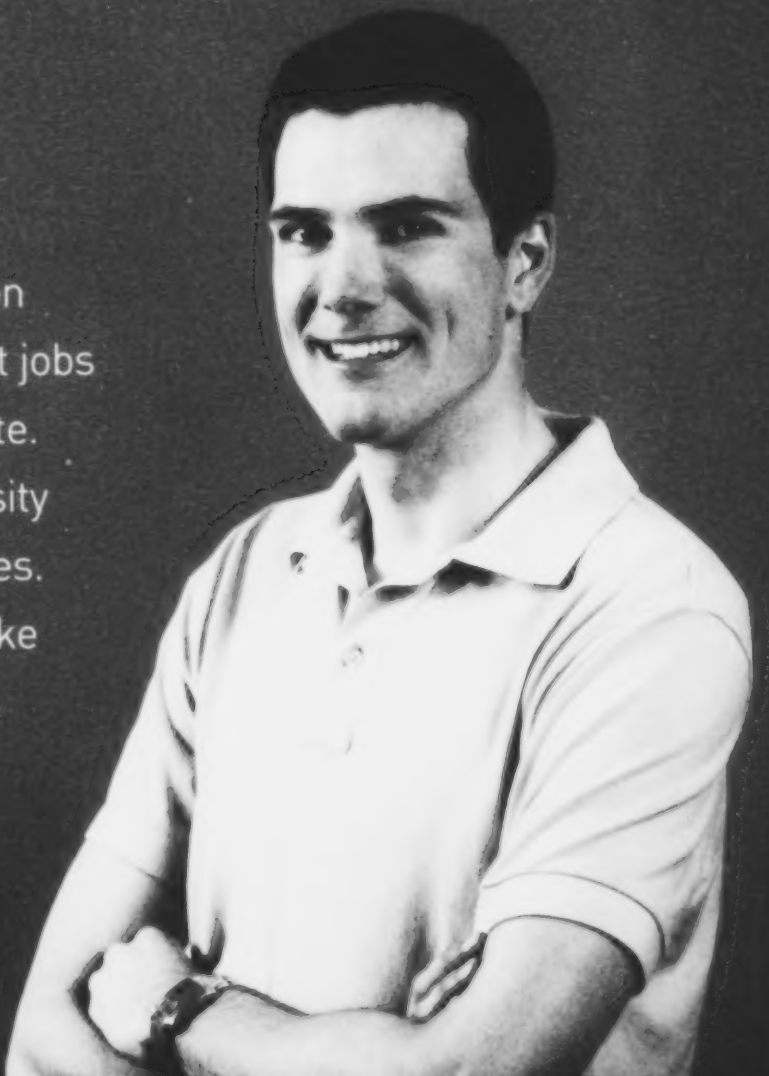
Nova Scotia Business Inc.

Opportunity. Growth. Prosperity.

Paul Brikis
Bachelor of Commerce
Student, Major in Finance,
Dalhousie University

"When I met with some of the financial services companies at a student education event in Halifax, I saw first-hand the great jobs that will be waiting for me when I graduate. I know the skills I'm developing in university will be put to good use by these companies. I'm eager to begin my career here and take advantage of everything this province has to offer."



we

Jillian Evans, Marketing Communications Specialist – Investment Attraction, NSBI

Geof Ralph, Chair of the Infrastructure Committee, Industry Growth Partnership

Nancy Foran, Chief Executive Officer, Certified Management Accountants

Sean Cleary, Associate Professor Finance, Saint Mary's University

Costa Elles, Owner, Mosaic Social Dining Lounge

Valerie Payn, President, Halifax Chamber of Commerce

Christine MacDonald, Finance/Accounting & Banking, Talentworks

In 2006 our province saw four of the world's leading financial services companies set up in Halifax. Companies like Citco Fund Services and Butterfield Fund Services took notice of our skilled graduates, and in 2008 Citco added to its growth with a new IT development centre. There's a buzz in Nova Scotia and there's more to come.

As part of the business community, Certified Management Accountants recognizes the importance of attracting highly skilled employees for our growing financial services sector. NSBI's financial services student education event was a smart opportunity to educate our university graduates on the opportunities available to them here in Nova Scotia.

When Nova Scotia's financial services sector expanded, our business leaders came together around one table and formed the Industry Growth Partnership. More than 40 business people, from university presidents to real estate developers, are working together to identify opportunities to grow the financial services sector and provide added value to companies operating in Nova Scotia.

Education leaders need to know what's happening in the business world and adapt. Our new certificate in financial instrumental analysis was developed as a response to the labour demands of the province's financial services sector and gives students the skills they need to get the jobs they want when they graduate.

As I watched the Premier ring the closing bell at the New York Stock Exchange, I felt proud to be from Nova Scotia. Ringing the bell was a rare honour, but a well-deserved one. It signaled to 150 million television viewers around the world that Nova Scotia is a world-class place to do business.

It's great news for young people when a company grows in our community, but there's also a real benefit to me – a restaurant owner. As tables fill up and more reservations are made, I see every day what growth in sectors like financial services can do for businesses like mine.

Nova Scotia is competing in the global war for talent. As financial services companies set up in Halifax, it's my job to make sure skilled workers consider calling our province home. The future of the financial services sector can be summed up with one simple formula: people = future growth. Our recruitment firm is a big part of this equation.

More Than Just A Phone Call

Erik Nobbe and JP Robicheau, Investment Attraction, NSBI

Attracting some of the world's leading financial services companies has made people from around the world stop and take notice of our province. The growth of this sector has spurred high-paying job opportunities for highly skilled people and has created just as many opportunities for local companies. Restaurants, taxi drivers and furniture movers are seeing a lot of activity from new companies coming here. This world-class growth has opened doors that would have been closed to us a few years ago.

It's opened doors to the New York Stock Exchange where the Premier of Nova Scotia rang the closing bell and stood shoulder to shoulder with top financial executives. It's opened doors for Citco Fund Services, the number one hedge fund administrator (*8th HFMWeek Hedge Fund Administrator Survey*), to make a second investment in Nova Scotia with a new IT development centre.

Opportunities have been explored, world-class deals have been announced, our province's growth continues to be celebrated and it began with a phone call from NSBI. Don't get us wrong, convincing the world's leading financial services companies to choose Nova Scotia was a little more complex. We needed a strong value proposition and a growth strategy to back it up. We needed to show the industry that Nova Scotia had what they needed.

These deals didn't happen overnight.

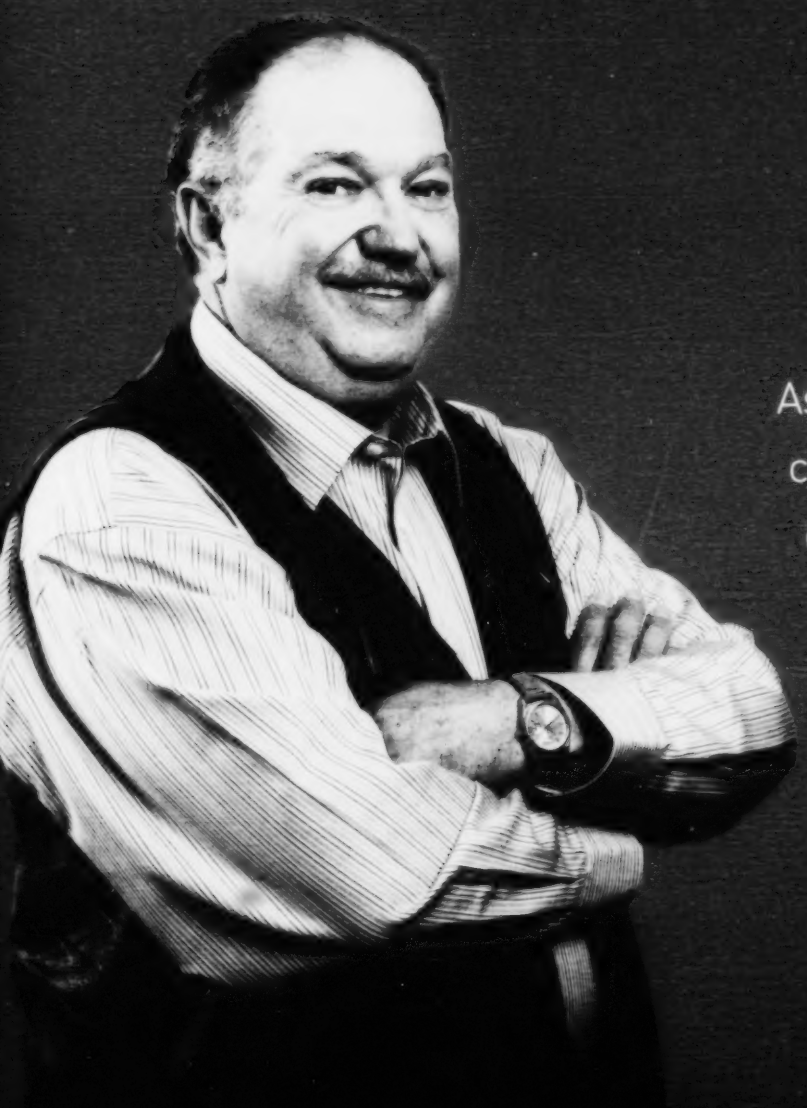
At NSBI, we go out and find opportunities, and for the financial services sector, Bermuda was the right place to begin. Nova Scotia has deeply rooted connections with Bermuda, and our history with the area gave NSBI a better understanding of the industry and its demands. With a highly concentrated and close-knit financial services community, it was clear to NSBI that we could position our province as a partner with Bermuda.

From the beginning, NSBI knew we couldn't attract new investment to the province on our own. With the future sustainability of the sector on our minds, we developed the Managed Growth Initiative bringing together partners to retain skilled graduates, repatriate Nova Scotians and attract professionals here. We also created the Industry Growth Partnership, a group of more than 40 business people focused on growing the financial services sector in a responsible and sustainable way.

By working together and working hard, we convinced Marsh, the world's largest insurance broker (*Business Insurance, 2007*), Citco Fund Services and several other leading financial services companies that Halifax was the right location.

And that's not all; This growth positioned Nova Scotia second only to Alberta for investment attraction (*Site Selector Magazine*). Trade publication *Global Services* also ranked Halifax as North America's number one emerging destination for IT and business process outsourcing.

Nova Scotia has created an international buzz for itself. When we travel to places like New York or Grand Cayman, we meet top business executives who have heard about Nova Scotia and want to know more. At NSBI, we always want to know more about the opportunities that are out there. We want to do more because we know our province can achieve more. Building a world-class financial services sector required more than just a phone call from NSBI and I think we can all agree it's been worth it.



Arthur Theriault
President,
A.F. Theriault & Son Ltd.

"Market demands have changed since we began building sailing ships in 1938. As state-of-the-art fishing boats, yachts and catamarans gained in popularity, we shifted our business to respond to these demands. Unique financing from NSBI has helped us reach new quality standards with these products, which gives us a competitive edge to secure new business."

Mike Queripel,
Senior Account Manager, NSBI

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Captain Anthony McGuiness,
Atlantic Pilotage Authority

James Surrette, President,
Surrette Battery Limited

Mike McMurray,
Manager of Trade Development, NSBI

Rhonda MacDougall, Manager
of External Relations, NSBI

Dean Smith,
CEO, Bradean's Tool and Die Ltd.

NSBI modified the terms of the payroll rebate to assist local companies with plans to improve their competitiveness in export markets through productivity or product development. NSBI's payroll rebate is project and performance-based, and promotes the creation or retention of jobs in the province.

It is vital that all pilot vessels built for the Atlantic Pilotage Authority are constructed to the highest standard. With financing from NSBI and the utmost commitment to quality, we were confident we would receive exceptional and reliable products from A.F. Theriault.

We have a reputation that's built on reliability, durability and on-time delivery. The expanded payroll rebate is a benefit to us. We can continue to focus on our competitiveness by improving business practices, retaining employees and manufacturing quality products for our customers.

Nova Scotia companies are known for delivering quality products and services. Participating in trade missions or other trade development programs allows them to view their products in a larger context and to see how companies measure up against those from other countries. This will help them determine what, if any, modifications are necessary to sell into new markets.

NSBI played a vital role in assisting our company as we worked toward earning an international quality standard. The achievement of this goal has opened up opportunities in the global marketplace that we could have only dreamed of in the past.

Working with the Department of Economic Development, we co-ordinated roundtable consultations with Nova Scotia business leaders to gain insight into the effect of the Canadian dollar – both negative and positive. What we learned from talking to businesses across the province validated NSBI's strategic direction and provided recommendations for areas of focus in the long term.

One Size Doesn't Fit All

Mike Queripel, Senior Account Manager, NSBI

As a member of NSBI's business financing team, I work closely with Nova Scotia companies to understand their needs and to identify unique solutions to match.

No two companies are alike.

Whether we're providing loans for equipment, working capital or restructuring, we assist companies by providing financial solutions they can't find anywhere else. The story of A.F. Theriault & Son Ltd., a well-known boat builder in Meteghan River, is a perfect example.

In the 1990s, A.F. Theriault made a difficult transition from fishing boat construction and service to private pleasure vessels such as yachts and catamarans. Like other boat builders in Nova Scotia and around the world, securing some contracts requires performance, material and warranty bonds – financial guarantees from suppliers that contracts will be completed based on certain terms and conditions. It can be difficult for Nova Scotia companies like A.F. Theriault to find the specific financing solutions they need, which can result in lost contracts.

When I met with Arthur Theriault to discuss the company's needs, NSBI had never provided the kind of financing the company was looking for, but we had several tools, including the ability to issue provincial-backed guarantees that could be customized to find a solution. With a lot of hard work and ingenuity, A.F. Theriault and NSBI developed a financing program that gave them the right financial support to secure new contracts.

In today's economy, Nova Scotia exporters such as A.F. Theriault face an array of challenges that need customized solutions. NSBI's business financing team continues to revisit its financial programs to make sure they meet the needs of Nova Scotia companies. We traditionally provided access to capital on conventional lending terms, but now we're taking a more active role across the province by expanding the use of our payroll rebate.

Traditionally, the rebate has been a valuable investment attraction tool for companies outside the province looking to create jobs and expand their operations in Nova Scotia. This past year, NSBI modified the payroll rebate to respond to the needs of local companies looking to explore new markets and improve overall competitiveness. NSBI's range of financing options can be customized, it can be flexible and it can be adaptive. The collaboration with A.F. Theriault and the guarantee we issued to them is only one example of the kind of services we can provide to local companies.

Our services are unique because our clients are unique.

At NSBI, we thrive on the challenge of providing customized, client-focused solutions that benefit local companies and equip them with the right tools to add value, compete and grow right here in Nova Scotia.

Marc St. Onge
President, Ascenta Health

"We are headquartered in Nova Scotia, but our products are available around the world. Our commitment to the environment is at the heart of our business and has helped us remain market leaders worldwide. We've always been committed to building a green future and, in addition to other initiatives, we now donate one per cent of annual sales to the environment through the *1% for the Planet* alliance."

Dave Copus, Account Executive,
Business Advisory Team, NSBI

we

Bonnie Sutherland, Executive
Director, Nova Scotia Nature Trust

Suzanne Diab, Marketing and
Communications, NSBI

Scott Travers, President, Minas
Basin Pulp and Power

Marli MacNeil, Chief Executive
Officer, BioNova

Gary Johnson, President,
Maritime Paper Products Limited

Wendy Luther, Trade
Development Executive, NSBI

Assisting companies to identify strategies for improving investment, job creation and business success, and identifying export potential is critical to what we do. In Colchester and Cumberland Counties, I'm seeing more and more companies investing in energy efficiency and this kind of investment in the environment is being recognized as a valuable part of business everywhere, not just in Nova Scotia.

By donating one per cent of its annual sales to environmental organizations like us, Ascenta is bringing about real change and setting a new corporate standard for other companies to adopt.

Leading-edge companies like Ascenta Health are really putting Nova Scotia on the map. This company didn't just go green – they were green from the very beginning. More companies should be investing in green and committing their dollars to a healthier environment.

As a producer of 100 per cent recycled paperboard products, exceeding environmental standards is something we take very seriously. Going green has been a big investment for Minas Basin, but it has helped us compete more effectively in current markets and it has opened new doors for us in international markets.

Many of the world's most innovative and green life-sciences companies are right here in Nova Scotia. These companies are leading the competition because they are responding to market demands. In this day and age, ignoring the need to go green is a deal breaker, not a deal maker.

Working with a company like Minas Basin is of great benefit to Maritime Paper Products as a consumer. Not only are we getting a great product from Minas Basin, we are doing a lot of good for the environment, too. This company is not only committed to the environment, they are committed to quality and that's a winning combination.

I've had the opportunity to travel the world on trade missions with Nova Scotia companies. From the Caribbean to Germany to Hong Kong, we're seeing an awareness of the impact of environmental sustainability on conducting business. It's no longer a small detail in the larger picture – it's a competitive necessity.

Viewing The World With Green Coloured Glasses

Lisa Dobson, Account Executive, Business Advisory Team, NSBI

I began with NSBI's business advisory team in 2001, and at that time I was focused on meeting with business owners, evaluating their viability, their opportunities, and of course, their potential pitfalls. When I met with businesses years ago, there wasn't a lot of discussion around global warming, carbon footprints, energy conservation or the environment in general.

What a difference today.

Now when I meet with companies in the Strait region, such as New Page, Ocean Nutrition, and Finewood Flooring & Lumber, it's clear these businesses are focused on the environment and they are exploring new opportunities to conserve energy. These companies have made capital investments in new technologies so they can burn biofuels; such as fish oil, and wood fibre waste, such as bark and saw dust; as a way of creating clean energy. These companies have cut energy costs, and more importantly, they've reduced carbon emissions.

I see these kinds of ecologically responsible actions across the entire Strait region. Municipalities and their residents are actively participating in green projects.

Here's one: The Strait-Highlands Green Action, a three-year milestone initiative of the Strait-Highlands Regional Development Agency (S-HRDA), drives business development in several sectors while working to reduce the region's carbon footprint. Developing a greenhouse gas emission inventory and forecast was the first step – and the first milestone. There will be two more milestones in the next two years. The Strait region will set a reduction target, and through community and government support, it will work to reduce energy use and minimize harmful emissions.

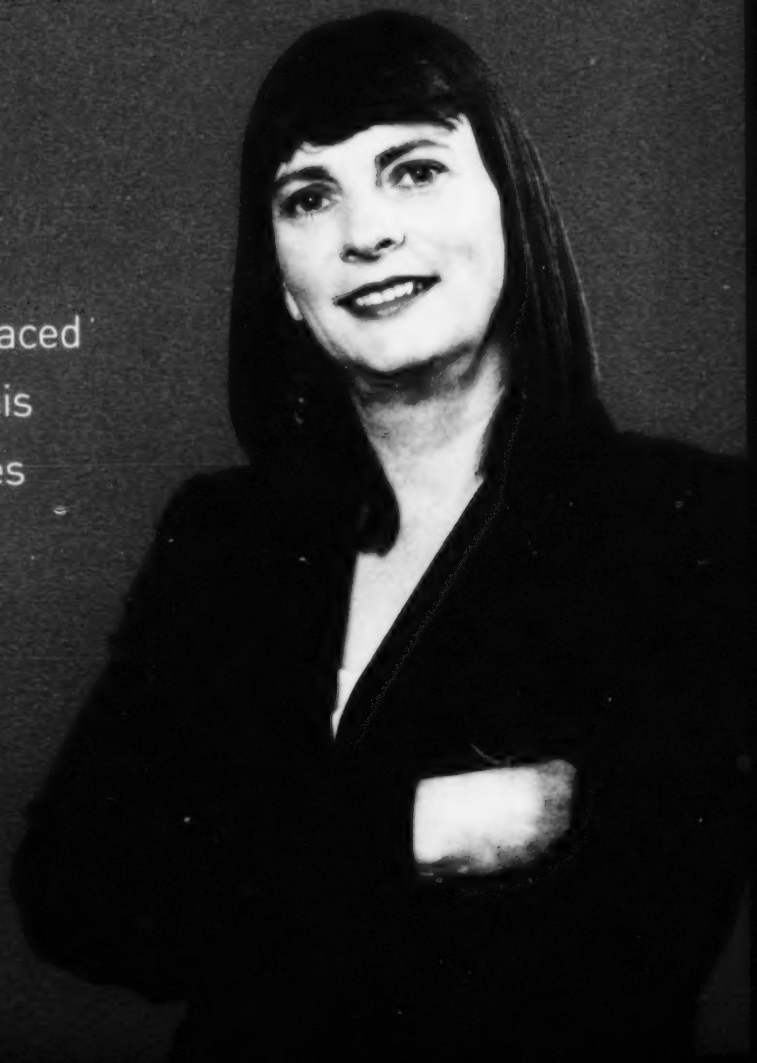
Here are a few more examples: This past year the Government of Nova Scotia created the *Environmental Goals and Sustainable Prosperity Act*. It sets out goals of cutting greenhouse gases by 10 per cent below 1990 levels by 2020, and significantly reducing air pollutants by 2010. And there's the *Ecotrust Municipal Program for Clean Air and Climate Change* so municipalities can help reach the goals and make our province a healthier place to live.

Blaine Gillis, CEO of the Strait-Highlands Regional Development Agency, is most proud of the leadership role the three municipalities, Inverness County, Richmond County and the Town of Port Hawkesbury, have played in meeting challenges and setting the stage for real environmental change. He says by changing our way of thinking and our use of energy and resources, we can set Cape Breton and Nova Scotia on a path to greater sustainability and create highly skilled employment. I couldn't agree more.

Looking back, I've seen a transformation in the way we, as business people, developers and communities, think about the environment. By investing in green, businesses are stronger competitors and communities are healthier. That sounds like a winning combination to me.

Pamela Rudolph
Trade Development
Executive, NSBI

" Partner East was formed to introduce Nova Scotia and Alberta companies to one another. We realized the challenges Alberta faced in trying to meet deadlines and recognized this was an opportunity for Nova Scotia companies – with their talent, expertise and capacity – to take on new contracts. This opportunity assisted Alberta companies in meeting their deadlines and brought contracts back to Nova Scotia for completion."



we

Mike G. Griffin, Proprietor,
A&M Fabrication Inc.,
Oxford, NS

Tony Spurrell, President,
Petro Carbon N.D.T. Solutions Inc.,
Calgary, AB

Lynn Coffin, Account Executive,
Business Advisory Team, NSBI

Philip Landry,
President & Owner,
Steel Pro/Cottage
Mechanical Services Ltd.,
Pictou, NS

Vince Stuart, Vice President,
Clare Machine Works,
Meteghan Centre, NS

Partner East was really a business-learning experience for me. It showed me how I need to diversify my products. A&M Fabrication now has plans to expand its product offering to include aluminum work, as well as steel and stainless steel. This will result in the expansion of my company, both by physical space and employment.

The Western economy has opened up new opportunities for companies outside Alberta, but you have to pursue these opportunities. Perseverance is key. Companies have to come to the table and prove they can handle the work. Nova Scotia companies have proven this by meeting and exceeding expectations.

My role in the recruitment, logistics and follow-up to Partner East has allowed me to see the impact this initiative has had on the companies. After these companies were exposed to the possible opportunities out West, I saw a new excitement in the industry and the companies are adapting their business approaches to grow.

Partner East was a great bonding experience for the metal working industry in Nova Scotia. It showed us the importance of working together and really opened my eyes to the resources in Pictou County and the rest of the province. This initiative helped me understand other manufacturers in the province and how we can pool together our resources to secure new contracts.

Entering the Alberta market through Partner East allowed us to bring contracts back to Nova Scotia. This work has resulted in more opportunities for other metal workers in the province. Clare Machine Works is reaching out to other companies in the area to fulfill contracts and they are now playing a part in providing work to Alberta.

Partner With "The East"

Pamela Rudolph, Trade Development Executive, NSBI

At NSBI, we see opportunities and we go after them.

Two years ago we saw a huge opportunity in Alberta for Nova Scotia metal workers. Let me paint you a picture: Alberta's metal working industry was facing a capacity shortage, meanwhile Nova Scotia companies had the ability to take on new contracts. As our solution, NSBI and our partners took Nova Scotia metal workers out West to bring back new contracts and assist Alberta companies in meeting their project deadlines.

In December 2006 more than two dozen metal working companies from Nova Scotia travelled with me to Alberta to participate in the first Partner East initiative. They attended trade shows, networked and met with prospective partners in Calgary and Edmonton.

Returning home, many of these companies saw a lot of value in Partner East and wanted to do it again, so we did. In 2007 we travelled out West again, this time to Nisku, Alberta, with 15 companies. Our travels to Alberta through Partner East have led to contract wins and many valuable business leads for Nova Scotia metal workers.

As the trade development executive leading Partner East, I saw first-hand the connections being made in Alberta and also between the Nova Scotia metal workers themselves. They've changed the way they think about each other. They're no longer pure competitors, but potential business partners as well.

This initiative kick-started Nova Scotia companies to look for opportunities together and they're still drawing on their partnerships today. They're joining resources to take on larger projects and win new contracts. In fact, some of the metal working companies have grown so much through increased sales and new product development they're expanding their facilities.

From Sydney to Yarmouth, Halifax to Oxford and all points in between, our companies have discovered that collaboration is at the root of a strong, well-connected metal working industry. But it's not just the metal workers that have benefited from Partner East. Local service providers that specialize in drafting, engineering, blue print design, architectural and electrical are called upon by metal workers to fulfill contracts.

Two years ago, Partner East was just an idea around a boardroom table and I'm so proud of what it's become. This idea has evolved into an annual event that Nova Scotia metal workers look forward to each year.

Partner East is so much more than an initiative, it's a mindset.

Our companies recognize that partnerships don't have to be outside Nova Scotia to be valuable. In fact, I've seen some of the strongest partnerships take shape with companies just down the road from each other. Success truly happens from the inside out.

NSBI Year In Review 2007/08

2007 Export Achievement Award Winners:

Laurentian Steel Fabricators – New Exporter of the Year

Neenah Paper – Long Term Exporter

Neocon – Export Growth Through New Markets

Focal Technologies – Export Growth Through Product Development

AG Research – Export Growth Through Partnership

Secunda – Export Growth through Sales

Bulldog Interactive Fitness – Canadian Market Development

Secunda – Exporter of the Year

SPRING

APRIL/07

Education Sector Trade Mission to Washington

Trade Mission to Portland, Maine

MAY/07

Consumer Goods Sector Trade Mission to Central Florida

Trade Mission to Iceland

BIO 2007 in Boston

Diaphonics takes its speech recognition and voice security technologies to market using $500,000 in equity financing from NSBI.

JUNE/07

King's County Business Mission to Scotland

International Business Development Agreement Trade Mission to Panama

Paris Air Show

Minacs Worldwide is expected to create up to 350 new jobs in Port Hawkesbury over the next five years. NSBI supports the growth with a payroll rebate of up to $2,684,500.

SUMMER

JULY/07

Northeast Market Centre Trade Show in Boston

AlwaysOn.com Conference in San Francisco

Origin BioMed Inc. is taking its products to new markets using $1 million in equity financing from NSBI.

IMP Aerospace Components is expected to create up to 325 new jobs in Amherst over the next five years. NSBI supports the growth with a payroll rebate of up to $3,082,380.

AUGUST/07

IT Interactive Services Inc. is expected to create up to 200 new jobs over the next six years. NSBI supports the growth with a payroll rebate of up to $2,082,500.

Acrobat Research Nova Scotia Limited opens in Greenwood and is expected to create up to 150 new jobs with the support of NSBI's payroll rebate of up to $864,600 over the next five years.

DECEMBER/07 (continued)

Back on home ground, **Lynn Coffin**, an account executive with NSBI's business advisory team, works with her colleagues in trade development. Being hands-on with Nova Scotia companies in the recruitment, logistics and follow-up to Partner East, Lynn is assisting companies with their trade objectives and linking them to continued opportunities for growth.

JANUARY/08

Trade Mission to the United Arab Emirates

Northeast Market Centre Trade Show in Boston

Atlantic All-Weather Windows Limited is expected to create up to 200 new jobs at its new Amherst location over the next five years. NSBI supports the growth with a payroll rebate of up to $1,198,800.

FEBRUARY/08

Trade Mission to Trinidad and Tobago

Citco Group, the leading global provider to the hedge fund industry, is expected to create up to 325 new jobs. NSBI supports the growth with a payroll rebate of up to $7 million over the next six years. The Department of Economic Development also commits $1,475,000 to support start-up costs and training.

Approximately 150 million people tune in to watch Premier Rodney MacDonald ring the closing bell at the **New York Stock Exchange**. This event celebrates the province's success in the international financial services sector and signals to the world that Nova Scotia is open for business.

NSBI speaks to the top 2,000 decision makers in the IT sector at **NASSCOM's India Leadership Forum**, the premiere IT event in India and the largest IT conference in the world. The event spotlights Nova Scotia's competitive advantages in the rapidly expanding outsourcing domain.

WINTER

Oceanology International 2008 Trade Show in the United Kingdom

National Buyers Sellers Forum Trade Show in Alberta

Up to 200 new jobs are expected to be created in Sydney as **ICT Group Inc.** expands in the province. NSBI supports the growth with a payroll rebate of up to $1,466,400 over the next five years.

Ascenta Health Limited grows its Dartmouth headquarters and is expected to create up to 35 new jobs. NSBI supports the growth with a payroll rebate of up to $368,550 over the next five years.

Keane Canada Inc. is expected to create up to 375 new jobs at its Halifax operation. NSBI supports the growth with a payroll rebate of up to $3,445,313 over the next five years. The Department of Economic Development also invests $2,600,950 to assist with specialized training and recruitment.

Modern Media Inc. is expected to create up to 100 jobs in Halifax over the next five years. NSBI supports the growth with a payroll rebate of up to $927,500.

FALL

SEPTEMBER/07

Oceans 2007 in Vancouver

International Business Development Agreement (IBDA) Building Products Trade Mission to the Caribbean

NSBI unveils its next **five-year plan** across the province. The plan builds on NSBI's accomplishments since its inception in 2001 and provides direction for continued business growth through 2012.

OCTOBER/07

Canadian Water and Wastewater Association (CWWA) Trade Show and Mission in St. Kitts and Jamaica

Oceans Innovation Conference in Halifax

Trade Mission to Iceland

General Dynamics Canada is expected to create up to 165 new jobs at its new facility in Dartmouth over the next five years. NSBI supports the growth with a payroll rebate of up to $2,992,486.

Trihedral Engineering Limited is expected to create up to 180 new jobs. NSBI supports the growth with a payroll rebate of up to $2,318,435 over the next five years.

Paragon Advanced Development Limited, operating under the name Ignition, is expected to create up to 150 new jobs over the next five years. To support the company's expansion, NSBI supports the growth with a payroll rebate of up to $1,260,000. The Department of Economic Development also commits $300,000 for training and recruitment.

Naturally Nova Scotia Health Products secures a term loan of $75,000 to support the purchase of new equipment for its facility in Lawrencetown. A second investment of $150,000 for capital expenditures will also assist the company in the expansion of its current location.

NOVEMBER/07

Team Canada Atlantic Trade Mission to Boston

IBDA Atlantic Canada Showcase at Epcot

With the success of Nova Scotia's growing financial services sector, new and diverse career opportunities exist for Nova Scotians and graduates of our universities. Some of the newest financial services companies to the province come together for a student education event in Halifax.

DECEMBER/07

IBDA Consumer Products Trade Mission to Florida

A group of 15 Nova Scotia metal workers and service providers travel to Alberta in search of new partnership opportunities and business contracts. Partner East offers a Nova Scotia solution to Alberta's capacity challenges.

MARCH/08

NSBI expands its payroll rebate terms. The rebate can now be used as an incentive for companies to invest in competitiveness with technology improvements, product diversification or expanded export markets.

Surrette Battery Company secures a term loan of $225,000 from NSBI for the implementation of a lean manufacturing program at its production facility. Surrette Battery is expected to maintain 50 jobs in Springhill. NSBI also supports the company with a payroll rebate of up to $74,000 over the next five years.

Parrsboro Metal Fabricators Limited plans to increase the fuel efficiency of its products for today's environmentally conscious and price-sensitive consumers. The company secures a term loan of $600,000 from NSBI for new equipment and new product development. NSBI also supports the company with a payroll rebate of up to $138,000 to maintain 68 jobs over the next five years in Parrsboro.

W.R. Benjamin Limited, a niche manufacturing company in Springhill, strengthens its roots in rural Nova Scotia. The company will maintain its workforce of six full-time employees. It is also expected to create up to 15 new jobs over the next four years with the assistance of a payroll rebate from NSBI of up to $124,250.

A term loan of $200,000 is authorized by NSBI to **Stark Oil Purification Systems** for equipment and market development. This financing will assist the company in growing its transformer maintenance business in New Glasgow.

NSBI authorizes $1.5 million in short-term financing to assist **Renewable Energy Services** with the construction of a wind development project.

NSBI invests $2 million in equity financing in **Impath Networks Limited**, a provider of high quality surveillance solutions. This financing will assist the company in its relocation from Ottawa to Halifax.

Atlantic New Technology Development Inc. is expected to create up to 20 new jobs over the next five years in Nova Scotia's developing nutraceutical industry. NSBI supports the growth with a payroll rebate of up to $133,845 for the company to begin operations in Truro.

Register.com expands its Canadian operation in Yarmouth and will open a new Halifax office. The company is expected to create up to 350 new jobs within both Nova Scotia offices. NSBI supports the growth with a payroll rebate of up to $4,931,552 over the next six years. The Department of Economic Development also supports this expansion with $1,050,000 for training and recruitment.

NSBI Corporate Scorecard (2007-08)

Promote the growth of new and existing businesses in Nova Scotia

MEASURE	TARGETS 2007-08	ACTUAL 2007-08
# of qualified referrals for export development, investment or financing	120	149
# of qualified referrals to external partner agencies	180	290
# of companies introduced to new markets/further advanced in existing markets	120	228
Client-reported actual and forecasted export sales	$35 million	$93.2 million

Provide access to capital for new/existing businesses in Nova Scotia

MEASURE	TARGETS 2007-08	ACTUAL 2007-08
# of Business Financing / Venture Capital projects authorized (note 1)	15	19
Impaired Loan Ratio	10% or less	10.6%
Annual Client Review	100% of clients reviewed	100%
Leverage ratio of Partner/Client : NSBI	Ratio of 1:1	1.03 to 1

Attract leading-edge sustainable business investment in Nova Scotia

MEASURE	TARGETS 2007-08	ACTUAL 2007-08
# of projects committed by Investment Attraction clients	15	15
Average gross salary of new jobs forecasted to be created by Investment Attraction clients	$40,000	$47,116
Forecasted average portfolio return on investments utilizing SIFs	40-50%	65.9%

Develop an action-oriented, client-focused organizational culture

MEASURE	TARGETS 2007-08	ACTUAL 2007-08
% of employees participating in training and development programs	80%	95.7%

Overall performance

MEASURE	TARGETS 2007-08	ACTUAL 2007-08
Total forecasted new and retained payroll (note 2)	$130 million	$181.9 million (Max)
Total forecasted new and retained jobs (note 2)	3,000	2,712 (Min), 4,303 (Max)
Operate within annual budget	$10.2 million	$10.0 million

Notes to the Corporate Scorecard

1. Target of 15 established, with a target of 20 when including successful transactions with partners and material amendments to existing clients that have a positive net economic benefit to the province. A total of 19 transactions completed. This includes six loans, three equity investments, three retention rebates, and seven material amendments to existing clients that have a positive net economic benefit to the province.

2. Consistent with industry reporting standards, NSBI's approach to reporting the creation and retention of jobs and payroll is to record the project, and the forecast jobs and payroll impact, in the fiscal year in which the project is authorized and accepted by the client.

   The maximum job impact is calculated by adding the maximum jobs forecast and retained jobs from projects completed in the fiscal year. The minimum jobs impact is calculated by adding the minimum jobs forecast and retained jobs from projects completed in the fiscal year. Retained jobs are those that are at risk of being terminated if the project does not occur. For the payroll metric, it is calculated in a manner similar to that described above for jobs.

   Jobs (Max) = Maximum jobs + Retained jobs
   Jobs (Min) = Minimum Jobs + Retained jobs
   Total Payroll = Maximum payroll + Retained payroll

   Forecasted jobs and payroll from investment attraction clients are determined by the investment attraction projects authorized in 2007/08.

   Jobs and payroll impact from trade development clients are forecast using a metric. One incremental job created for each $90,000 in incremental export sales. The 24-month sales data reported by these clients is annualized and then further divided by $90,000 to estimate the job impact. To calculate payroll, the job figure is multiplied by the average per capita income in the province as reported by Statistics Canada. The assumption: Each forecasted job created by trade development clients has a salary equivalent to the average per capita income in the province.

   Forecasted jobs and payroll from business financing and venture capital clients are determined by the business financing /venture capital projects authorized in 2007/08.

   The business advisory team reports the forecast job and payroll impact from projects that have been referred to and completed through partner agencies, but which the team played a significant role by arranging financing or assisting with business planning, etc. The forecast job and payroll impact is reported by its clients.

***Overall Performance: 2007-08**

	Forecasted Jobs Minimum (Min + Retained)	Forecasted Jobs Maximum (Max + Retained)	Forecasted Payroll (Max + Retained)
Investment Attraction	1742	3285	148,959,000
Trade Development	512	512	14,419,000
Business Financing	233	260	10,701,000
Venture Capital	32	45	2,040,000
Business Advisory	193	201	5,753,000
Total	**2712**	**4303**	**181,872,000**

NSBI Board of Directors

Thorough due diligence and adherence to rigorous corporate governance guide the action of NSBI's private-sector board. Comprised of 13 respected business leaders from communities across Nova Scotia, the NSBI board provides guidance and governance for NSBI's business activities.

Including committee meetings, members of the board met more than 40 times in 2007/08 to further the following:

- Oversee the corporate governance framework
- Review and approve quarterly and annual financial reports
- Oversee the strategic planning process
- Identify and monitor major risks facing the corporation
- Monitor the integrity of the corporation's internal control systems
- Approve financial transactions within board limits

Committees

The Audit, Human Resources Governance and Investment Committees serve to assist the board in carrying out its responsibilities.

The Audit Committee oversees NSBI's financial reporting, assesses its internal controls and risk environment, and reviews the report prepared by the corporation's external auditor.

Chair: Lawrence K. (Larry) Evans, Q.C.
Members: James A. Kehoe, Nancy Tower

The Human Resources Governance Committee ensures appropriate human resource management policies are in place, manages the recruitment process for new board members, as well as develops and oversees NSBI's corporate governance principles.

Chair: Paul A. Kent Members: David Arenburg, Lois Dyer Mann
Members: David Arenburg, Lois Dyer Mann

The Investment Committee oversees NSBI's investment framework and policies, monitors the performance of the corporation's investment portfolio, and recommends financial transactions outside its approval limit to the full board for approval.

Chair: J.D. (Jim) Eisenhauer Members: William A. Black,
Members: William A. Black, James M. MacConnell, Sean Murray, Stuart Rath

Officers

Stephen Lund President and CEO

Pat Ryan Chief Operating Officer and Vice President

Lisa Bugden Vice President

Robert Daigle Vice President

In alphabetical order

David Arenburg
Adcor Group of Companies, President, Yarmouth
NSBI Board of Directors (appointed November 2006)
NSBI HR Governance Committee
Yarmouth Hospital Foundation Board of Directors
Yarmouth Rotary Club
SEASTAR Society of Nova Scotia, Director

William A. Black
Maritime Life, Former President and CEO, Halifax
NSBI Board of Directors (appointed November 2006)
NSBI Investment Committee
Bank of Canada, Lead Director
The Shaw Group Inc.
The Standard Life Assurance Company of Canada

J.D. (Jim) Eisenhauer
ABCO Group Limited, President, Lunenburg
NSBI Board of Directors (appointed January 2005)
NSBI Investment Committee, Chair
Atlantic Industries Board of Directors
Composites Atlantic Board of Directors
Lunenburg Waterfront Association, President

Lawrence K. (Larry) Evans, Q.C.
Evans MacIsaac MacMillan, Partner, Port Hawkesbury
NSBI Board of Directors (appointed November 2003)
NSBI Audit Committee, Chair
Port Hawkesbury Food Bank Society, Board Chair
Nova Scotia Barristers' Society, Discipline Hearings Committee
Nova Scotia Barristers' Society, Former President

Douglas G. Hall, Chair
RBC Dominion Securities, Former Managing Director, Halifax
NSBI Board of Directors (appointed November 2003)
Claymore Investments Advisory Board
Millar Western Forest Products Board of Directors
Southwest Properties Advisory Board

James A. Kehoe
Joneljim Group of Companies, President, Sydney
NSBI Board of Directors (appointed November 2006)
NSBI Audit Committee
Cape Breton University Board of Governors
BCA Investments Co-op Board of Directors
YMCA Fundraising and Building Committee

Paul A. Kent
Cetas Advisory Inc., Principal, Halifax
NSBI Board of Directors (appointed July 2002)
NSBI HR Governance Committee, Chair
Saga Investments Board of Directors
Maritime Tidal Energy Corporation Board of Directors
Symphony Nova Scotia Foundation Board of Trustees

James M. MacConnell
Scotsburn Co-operative Services Limited,
Former President and CEO, Scotsburn
NSBI Board of Directors (appointed April 2005)
NSBI Investment Committee
Aberdeen Hospital Foundation Board of Directors, Chair
Royal Nova Scotia International Tattoo Board of Directors
Co-operators Group of Companies, Director

Lois Dyer Mann
Caldwell Partners, Former Partner, Halifax
NSBI Board of Directors (appointed December 2007)
NSBI HR Governance Committee
2011 Canada Winter Games Host Society, Director
Halifax Chamber of Commerce, Former Chair
IWK Health Centre Foundation, Former Trustee

Sean Murray
Advocate Printing and Publishing Company Limited,
President and CEO, Pictou
NSBI Board of Directors (appointed June 2007)
NSBI Investment Committee
Canadian Printing Industries Association, Chair
The Canadian Community Newspaper
Database Corporation (ComBase), Chair
Aberdeen Hospital Foundation Board of Directors

Stuart Rath
Stuco Holdings Limited, President and Director, Truro
NSBI Board of Directors (appointed March 2007)
NSBI Investment Committee
Truro Centre Limited, Vice President
Colchester Regional Development Agency Board of Directors
Erdene Resource Development Corp. Board of Directors

Paul Taylor
Department of Economic Development, Deputy Minister, Halifax
NSBI Board of Directors (appointed January 2004)
inNOVAcorp Board of Directors
Greater Halifax Partnership Board of Directors, Ex Officio Member
Canada/Nova Scotia Business Service Centre Board of Directors

Nancy Tower, Vice-Chair
Emera Inc., Chief Financial Officer, Halifax
NSBI Board of Directors (appointed October 2004)
NSBI Audit Committee
QEII Hospital Foundation Board of Trustees
CAA Maritimes Board Chair
Nova Scotia Institute of Chartered Accountants, Former President

Financial Statements

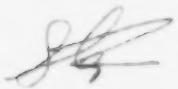
Management's Responsibility for Financial Reporting

The accompanying financial statements of Nova Scotia Business Inc. have been prepared by management in accordance with Canadian generally accepted accounting principles and, if necessary, contain certain items that reflect best estimates and judgment of management. The integrity and objectivity of the data in these financial statements are management's responsibility. Management is responsible for ensuring that all information in the Annual Report is consistent with the financial statements.

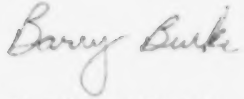
In support of its responsibility, management has developed and maintains financial and management control systems and practices to provide reasonable assurance that transactions are properly authorized and recorded, that financial information is reliable, that the assets are safeguarded and liabilities recognized, and that the operations are carried out effectively.

The Board of Directors' Audit Committee, comprised of non-management directors, oversees management's responsibilities for financial reporting. The Audit Committee meets regularly with management, compliance & risk management, and the independent auditors to review internal accounting controls, audit results, accounting principles and practices, and to review and approve the financial statements.

These financial statements have been audited by the corporation's external auditors, KPMG LLP, and their report is presented herein.



Stephen Lund
President and
Chief Executive Officer



Barry Burke, MBA, CMA
Controller

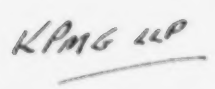
Auditors' Report

To the Directors of Nova Scotia Business Inc.

We have audited the balance sheet of Nova Scotia Business Inc. as at March 31, 2008 and the statements of revenue, expenditures and retained earnings, comprehensive income, changes in shareholder's equity, and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants
Halifax, Canada
May 23, 2008

Balance Sheet

(in thousands of dollars)
March 31, 2008, with comparative figures for 2007

	2008	2007
Assets		
Current assets:		
Cash	$ 21,804	$ 23,879
Accrued interest receivable	1,676	1,069
Due from the Province of Nova Scotia	11,100	7,766
Current portion of loans receivable (note 4)	5,607	6,129
Other receivables	688	633
	40,875	39,476
Nova Scotia Business Fund assets:		
Loans receivable (note 4 and 8)	89,847	93,730
Equity investments (note 5 and 8)	16,206	13,219
Industrial parks and malls (note 6)	2,579	3,394
	108,632	110,343
	$ 149,507	$ 149,819
Liabilities and Shareholder's Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 16,182	$ 13,733
Provision for payment of guarantees (note 8)	2,894	760
Dividend payable	1,190	–
Principal due within one year to the Province of Nova Scotia (note 9)	8,109	9,413
	28,375	23,906
Long-term debt:		
Due to the Province of Nova Scotia (note 9)	93,530	99,513
Shareholder's equity:		
Retained earnings	26,766	26,400
Accumulated other comprehensive income	836	–
	27,602	26,400
Commitments (note 10)		
Contingencies (note 11)		
	$ 149,507	$ 149,819

See accompanying notes to financial statements.

On behalf of the Board:

Director

Director

Statement of Revenue, Expenditures and Retained Earnings

(in thousands of dollars)
Year ended March 31, 2008, with comparative figures for 2007

	2008	2007
Revenue:		
Provincial grants:		
Operating grant	$ 9,881	$ 10,231
Strategic investment grant	14,491	10,364
Loan valuation allowance	1,600	1,600
Capital grant	–	1,248
Interest on loans receivable	8,488	8,635
Other investment income	434	351
Gain (loss) on sale of property	790	(1,072)
Miscellaneous	1,143	1,318
	36,827	32,675
Expenses:		
Schedule of operating expenses	10,023	10,279
Strategic investments	14,491	10,364
Allowance for credit losses and provision for payment of guarantees	2,909	1,917
Schedule of Nova Scotia Business Fund expenses	7,848	8,272
	35,271	30,832
Excess of revenue over expenditures	1,556	1,843
Retained earnings, beginning of year	26,400	24,755
Less: Dividend to shareholder	(1,190)	(198)
Retained earnings, end of year	$ 26,766	$ 26,400

See accompanying notes to financial statements.

Statement of Comprehensive Income

(in thousands of dollars)
Year ended March 31, 2008, with comparative figures for 2007

	2008	2007
Net income	$ 1,556	$ 1,843
Other comprehensive income (note 2):		
Change in unrealized gains on available-for-sale securities	91	-
	91	-
	$ 1,647	$ 1,843

Statement of Changes in Shareholder's Equity

(in thousands of dollars)
Year ended March 31, 2008, with comparative figures for 2007

	2008	2007
Share capital:		
Authorized:		
100 Class A common shares with a par value of $1 each		
Issued and outstanding to the Province of Nova Scotia:		
100 common shares	$ -	$ -
Retained earnings	26,766	26,400
Accumulated other comprehensive income:		
Balance beginning of year	-	-
Transition adjustment on adoption of financial instruments standards (note 2)	745	-
Other comprehensive income for the year	91	-
Balance at end of year	836	-
Total Shareholder's Equity	$ 27,602	$ 26,400

See accompanying notes to financial statements.

Statement of Cash Flows

(in thousands of dollars)
Year ended March 31, 2008, with comparative figures for 2007

	2008	2007
Cash provided by (used in):		
Operations:		
Excess of revenue over expenditures	$ 1,556	$ 1,843
Items not involving cash:		
Amortization	168	188
Allowance for credit losses and provision for payment of guarantees	2,909	1,917
Capitalized interest on loans receivable	(150)	(481)
(Gain) loss on sale of property	(790)	1,072
Loan valuation allowance – due from the Province of Nova Scotia	(1,600)	(800)
Change in non-cash operating working capital:		
Increase in accrued interest receivable	(607)	(239)
(Increase) decrease in due from the Province of Nova Scotia	(4,134)	1,390
Increase in other receivables	(55)	(187)
Increase (decrease) in accounts payable and accrued liabilities	2,449	(948)
	(254)	3,755
Financing:		
Dividend	–	(198)
New borrowings from the Province of Nova Scotia	2,009	10,646
Principal repayments to the Province of Nova Scotia	(7,631)	(21,289)
	(5,622)	(10,841)
Investments:		
Contract disbursements	–	(1,735)
Loan advances	(2,564)	(11,623)
Principal received on loans	7,353	13,248
Redemption of shares	75	69
Equity investments	(2,500)	(3,000)
Proceeds from disposal of Industrial Parks	1,437	2,211
Capital additions	–	(1,259)
Other	–	105
	3,801	(1,984)
Decrease in cash	(2,075)	(9,070)
Cash, beginning of year	23,879	32,949
Cash, end of year	$ 21,804	$ 23,879

See accompanying notes to financial statements.

Notes to Financial Statements

(in thousands of dollars)
Year ended March 31, 2008

Nova Scotia Business Inc. (the "Corporation") is a corporation, wholly owned by the Province of Nova Scotia with an independent Board of Directors. The Corporation was established pursuant to the Nova Scotia Business Incorporated Act, Chapter 30 of the Acts of Nova Scotia, 2000. The Corporation's mission is to deliver client-focused business solutions that result in sustainable, value-added economic growth for Nova Scotia. The Corporation is not subject to provincial or federal taxes.

1. Summary of significant accounting policies:

(a) Loans receivable:

Loans receivable are recorded at amortized cost less a general allowance for credit losses equal to 5% of cost. A specific allowance is recorded if management considers it necessary to reduce the loan to its estimated recoverable amount.

(b) Equity investments:

Equity investments in publicly traded companies are recorded at fair market value. Equity investments with limited market information available are initially recorded at cost less a general allowance for credit losses equal to 10% of cost. This allowance is immediately recorded to reflect the increased risk associated with equity investments. The investments are reviewed twice yearly for potential declines in value. If a decline is considered to be other than temporary, a specific allowance is recorded.

(c) Industrial parks and malls:

The industrial parks and malls consist of properties held for sale and improved properties consisting of land and land improvements, buildings, wharves, and utilities. Land is recorded at the lower of cost and estimated net realizable value. The remaining assets are recorded at cost and amortized on a declining balance basis over their estimated useful lives as follows:

Asset	Basis	Rate
Land improvements	Declining balance	5%
Industrial malls and other buildings	Declining balance	5%
Wharves	Declining balance	5%
Utilities	Declining balance	4 - 15%

The Department of Transportation and Infrastructure Renewal has operational responsibility for the industrial parks and malls. Certain revenues and expenses associated with the operation of the industrial parks and malls are accounted for by the Department of Transportation and Infrastructure Renewal and are not reflected in these financial statements.

(d) Other assets:

Other assets consist of property acquired through foreclosure. Other assets are recorded at cost less a general allowance for credit losses equal to 5% of cost. A specific allowance is recorded if management considers it necessary to reduce the asset to its estimated recoverable amount.

(e) Due to the Province of Nova Scotia:

Amounts due to the Province of Nova Scotia are recorded at amortized cost.

(f) Other comprehensive income:

Comprehensive income is composed of the Corporation's net income and other comprehensive income. Other comprehensive income includes unrealized gains and losses on available-for-sale investments.

(g) Revenue recognition:

Interest revenue on loans receivable is recognized on an accrual basis unless the ultimate collectibility of the loan is in doubt. When a loan is classified as impaired, interest revenue is no longer recognized, and any interest income that is accrued is reversed. A loan is considered impaired when there is risk of loss to the Corporation of the full and timely collection of principal and interest; generally, when it is more than three months in arrears. In the event a loan is no longer considered to be impaired, interest revenue is recognized in the year of recovery.

(h) Allowance for credit losses and provision for payment of guarantees:

As financing is advanced, the Corporation immediately records a general allowance equal to 5–10% of the amount disbursed. The Corporation provides for possible credit losses on an item-by-item basis by examining such factors as the client's financial condition and the fair value of the underlying security.

The provision for credit losses is partially offset by a loan valuation allowance from the Province of Nova Scotia.

1. Summary of significant accounting policies (continued):

(i) Employee future benefits:

Upon retirement, employees are eligible for a public service award equal to one week's salary per year of service to a maximum of twenty-six years. Management recognizes compensation expense on an accrual basis. The public service award liability for the period prior to NSBI's inception is recorded on the financial statements of the Province of Nova Scotia.

(j) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

2. Change in accounting policy:

a) Effective April 1, 2007 the Corporation adopted the Canadian Institute of Chartered Accountants' Handbook Section 3855 – Financial Instruments – Recognition and Measurement, Section 3861 – Financial Instruments – Disclosure and Presentation and Section 1530 – Comprehensive Income. The adoption of the accounting policy has been applied prospectively without restatement of the prior year's amounts.

All of the Corporation's loans to clients and amounts due to the Province of Nova Scotia are classified as receivables and loans and are accounted for on the amortized cost basis. This classification is consistent with the classification under the prior accounting standard.

All of the Corporation's publicly traded equity investments have been recorded as available-for-sale and this has resulted in an increase of $745 to opening accumulated other comprehensive income. The adoption of the accounting policies resulted in an unrealized gain on available-for-sale securities of $91 being recorded in the statement of comprehensive income in the year ended March 31, 2008.

b) The following summarizes a future accounting change that will be relevant to the Corporation's financial statements subsequent to March 31, 2008:

The CICA has issued two new accounting standards, Section 3862 – Financial Instruments – Disclosures and Section 3863 – Financial Instruments – Presentation, on financial instruments that revise and enhance the current disclosure requirements but do not change the existing presentation requirements for financial instruments. These new standards will be effective for the Corporation commencing April 1, 2008. The new disclosures will provide additional information on the nature and extent of risks arising from financial instruments to which the Corporation is exposed and how it manages those risks.

3. Fair value of financial instruments:

The carrying value of accrued interest receivable, due from the Province of Nova Scotia, other receivables, and accounts payable and accrued liabilities approximate their fair value because of their short term-to-maturity.

The fair value and book value, excluding any reserves, of loans receivable as at March 31, 2008 are $119,624 and $112,043, respectively. Certain notes receivable in the amount of $2,326 have no set terms of repayment and are carried on the financial statements at cost.

Equity investments in publicly traded companies in the amount of $3,888 are recorded at fair market value, which represents the last bid price for the stock on the stock exchange. Equity investments in privately held companies in the amount of $12,318 are carried at cost less allowances in the financial statements. Due to the limited amount of comparable market information available, it was not practical to determine the fair value of these assets.

There are loan guarantees and other assets that represent investments and guarantees in privately held companies, as well as property acquired through foreclosure. Due to the limited amount of comparable market information available, it was not practical to determine the fair value of these assets. Thus, these assets are carried on the financial statements at cost.

The amount due to the Province of Nova Scotia is comprised of a series of separate notes. The fair value and book value of the amounts due to the Province of Nova Scotia with scheduled repayment terms as at March 31, 2008 are $71,394 and $63,191, respectively. A note payable in the amount of $38,448 has no set terms of repayment and is carried on the financial statements at cost. The principal on this note is repaid to the Province as it is collected on the loans receivable financed by this note. Due to the volume of accounts financed by this note and the uncertainty with respect to timing of future cash flows, it is not practical to determine the fair value of this amount due to the Province of Nova Scotia.

4. Loans receivable:

	2008	2007
(a) Principal due:		
Performing loans	$ 115,446	$ 121,712
Impaired loans	13,687	17,147
	129,133	138,859
Allowance for credit losses (note 8)	33,679	39,000
	95,454	99,859
Less current portion	5,607	6,129
	$ 89,847	$ 93,730

Included in the above loans receivable are loans with concessionary terms which have principal amounts outstanding of $194 (2007 – $327) and concessionary allowance of $23 (2007 – $51). The concessionary terms consist of interest-free financing.

The concessionary allowance is calculated as the difference between the financing advanced and the net present value of the anticipated future repayments at an interest rate similar to the usual established terms of the Corporation.

(b) Principal payments receivable in each of the next five years are as follows:

2009	$ 5,607
2010	5,278
2011	5,203
2012	5,087
2013	5,143

5. Equity investments:

	2008	2007
Common shares	$ 9,525	$ 5,639
Preferred shares	8,395	11,520
Convertible debentures	10,625	8,125
	28,545	25,284
Allowance for credit losses (note 8)	12,339	12,065
	$ 16,206	$ 13,219

6. Industrial parks and malls:

			2008	2007
	Cost	Accumulated amortization	Net book value	Net book value
Land	$ 223	$ –	$ 223	$ 225
Land improvements	1,167	425	742	781
Industrial malls and other buildings	2,345	1,413	932	1,550
Wharves	1,511	1,103	408	428
Utilities	323	49	274	410
	$ 5,569	$ 2,990	$ 2,579	$ 3,394

7. Other assets:

	2008	2007
Property acquired through foreclosure, at cost	$ 822	$ 822
Less allowance for credit losses (note 8)	822	822
	$ –	$ –

8. Allowance for credit losses and provision for payment of guarantees:

	Gross balance outstanding	Specific allowance	General allowance	Total allowance	2008 Net balance outstanding
Loans receivable (note 4)	$ 129,133	$ 29,112	$ 4,567	$ 33,679	$ 95,454
Equity investments (note 5)	28,545	11,068	1,271	12,339	16,206
Guarantees (note 11)	5,008	2,879	15	2,894	2,114
Other assets (note 7)	822	822	–	822	–
	$ 163,508	$ 43,881	$ 5,853	$ 49,734	$ 113,774

	Gross balance outstanding	Specific allowance	General allowance	Total allowance	2007 Net balance outstanding
Loans receivable (note 4)	$ 138,859	$ 34,280	$ 4,720	$ 39,000	$ 99,859
Equity investments (note 5)	25,284	10,694	1,371	12,065	13,219
Guarantees (note 11)	4,004	400	360	760	3,244
Other assets (note 7)	822	822	–	822	–
	$ 168,969	$ 46,196	$ 6,451	$ 52,647	$ 116,322

9. Due to Province of Nova Scotia:

(a) Notes payable to the Province of Nova Scotia are comprised of the following:

	Year of maturity	Weighted average interest rate	2008 Principal outstanding	2007 Principal outstanding
Note payable 2002-01	–	–	$ 38,448	$ 45,457
Note payable 2002-02	2022	5.31% - 6.75%	36,576	37,836
Note payable 2003-01	2009	4.85%	2,245	2,372
Note payable 2003-02	2008	4.53%	–	104
Note payable 2003-03	2012	5.02%	182	220
Note payable 2003-04	2014	5.35%	742	831
Note payable 2003-05	2011	5.44%	751	938
Note payable 2004-01	2017	4.64%	2,566	2,899
Note payable 2004-02	2015	3.41% - 4.55%	4,859	5,301
Note payable 2005-01	2011	4.23%	1,463	1,613
Note payable 2005-02	2014	3.82%	749	907
Note payable 2006-01	2027	5.09%	1,561	1,484
Note payable 2006-02	2027	4.98%	1,984	1,888
Note payable 2006-03	2027	4.86%	3,218	3,066
Note payable 2006-04	2027	4.94%	2,222	2,115
Note payable 2007-01	2027	5.11%	989	940
Note payable 2007-02	2027	4.89%	1,002	955
Note payable 2007-03	2027	4.97%	427	–
Note payable 2007-04	2027	5.01%	82	–
Note payable 2007-05	2027	5.38%	1,425	–
Note payable 2007-06	2027	5.58%	148	–
			101,639	108,926
Less principal due within one year			8,109	9,413
			$ 93,530	$ 99,513

9. Due to Province of Nova Scotia (continued):

The principal for note 2002-01 is repayable to the Province when the principal is collected from the loans that are funded by this note. In addition, 80% of the interest received or capitalized on the underlying loans is repayable to the Province.

The remaining notes are repayable in quarterly instalments of principal and interest based on the maturity dates and rates set out above.

(b) Principal payments due in each of the next five years are as follows:

2009	$ 8,109
2010	7,728
2011	8,024
2012	6,924
2013	6,765

10. Commitments:

(a) The Corporation has approved financing of $11,300 (2007 – $9,715) that is undisbursed at year-end.

(b) The Corporation administers strategic investments on behalf of the Province of Nova Scotia that permit approved businesses to receive a percentage of payroll taxes paid as a rebate. Expenses incurred by the Corporation are match-funded by the Province of Nova Scotia in the form of a Strategic Investment Grant. As at March 31, 2008, transactions were approved with maximum annual payments over the next six years of $131.9 million (2007 – $109.7 million) as shown below:

2009	$ 23,265
2010	28,610
2011	27,347
2012	25,876
2013	16,782
2014	10,028
	$ 131,908

11. Contingencies:

(a) Guarantees:

	Authorized	2008 Utilized	2007 Utilized
Bank loans	$ 5,008	$ 5,008	$ 4,004
Less provision for payment		2,894	760
		$ 2,114	$ 3,244

Included in the above guarantees are: (a) a term loan in the amount of $4,458 expiring between fiscal 2009 and 2011; (b) a guarantee of a line of credit in the amount of $400 expiring in 2010; and (c) a warranty guarantee in the amount of $150 expiring in 2009.

The guarantees are secured by various assets and proceeds from liquidation are expected to offset any possible payments under the guarantees.

(b) Litigation:

The Corporation is a co-defender with the Province of Nova Scotia and Industrial Estates Limited in a dispute regarding environmental contamination on land previously owned by Industrial Estates Limited. It is assumed that any losses incurred related to this claim will be fully funded by the Province of Nova Scotia.

Counsel is unable to form an opinion at this early date in regard to the likelihood of loss; consequently, no provision for any possible loss has been recorded in these financial statements.

(c) NSBI completed a transfer agreement with the Municipality of the County of Colchester in fiscal 2008, which included a water system. The system is undergoing GUDI (Groundwater Under the Direct Influence of Surface Water) testing. If determined GUDI, NSBI would have to contribute additional funds to be used for water treatment. It is not known what liability, if any, exists. The tests are expected to be complete in the 2009 fiscal year.

12. Nova Scotia Business Fund:

The Nova Scotia Business Fund (the "Fund") is comprised of investments approved under the direction and management of Nova Scotia Business Incorporated ("NSBI") and investments have been transferred from the Nova Scotia Business Development Corporation Fund ("NSBDC") on November 6, 2001. The following is a summary of the Fund as at March 31:

12. Nova Scotia Business Fund (continued):

	NSBI Portfolio		NSBDC Portfolio		2008	2007
	Gross	Less allowance for credit losses	Gross	Less allowance for credit losses	Net total	Net total
Assets:						
Loans receivable	$ 25,510	$ 7,688	$ 103,623	$ 25,991	$ 95,454	$ 99,859
Equity investments	15,334	5,150	13,211	7,189	16,206	13,219
Industrial parks and malls	–	–	2,579	–	2,579	3,394
Other assets	–	–	822	822	–	–
Guarantees	5,008	2,894	–	–	2,114	3,244
Financing authorized but unadvanced	11,300	–	–	–	11,300	9,715
	$ 57,152	$ 15,732	$ 120,235	$ 34,002	$ 127,653	$ 129,431

	2008	2007
Funding authorized and committed:		
Fund balance authorized, net of write offs	$ 257,123	$ 262,945
Less uncommitted balance of fund	79,736	80,867
Committed fund balance	177,387	182,078
Less allowance for credit losses and provision for payment of guarantees	49,734	52,647
	$ 127,653	$ 129,431

13. Credit risk:

Credit risk is the risk that a debtor may not pay amounts owing, thus resulting in a loss. To mitigate this risk, the Corporation has developed the following policies:

Before financing is approved, a risk assessment is performed on the client. Each application is designated a risk rating based on the industry and business, quality of management, financial history and projections, the level of other creditor involvement and shareholder participation, and environmental risks. The terms and conditions of the approved financing are reflective of the assessed risk. Applications with unacceptable levels of risk are not approved.

Clients are usually limited to a total of $15 million in financing from Nova Scotia Business Incorporated's Nova Scotia Business Fund. Three clients currently exceed this total; two loans were approved in the Nova Scotia Business Development Corporation Fund and transferred to the Nova Scotia Business Fund via legislation on November 6, 2001. The outstanding amounts for these clients are approximately $36 million and $27 million, respectively (2007 – $38 million and $27 million). A third client, with existing financing of $16 million (2007 – $13 million), had approximately $4 million (2007 – $6 million) of authorized, but unutilized, funding available at year-end.

The risk rating for all clients is monitored on an on-going basis. Clients identified as higher risk are further assessed at year end to determine the extent of the potential loss, taking into account the value of the security pledged in support of the financial assistance. This assessment could result in a reduction in the carrying value of the investment via the provision for credit losses.

14. Supplementary cash information:

Cash is defined as cash and short-term investments.

During the year, cash received for interest income was $6,997 (2007 – $7,455) and cash paid for interest was $2,712 (2007 – $7,319).

15. Related party transactions:

Financing has been advanced to companies which were controlled or otherwise not independent of certain directors of Nova Scotia Business Inc. These investments totaled $37,058 (2007 – $39,023) and certain of these investments have specific allowances recorded against them totaling $6,211 (2007 – $5,515). Furthermore, payroll rebates in the amount of $4,515 (2007 – $4,515) were awarded to one or more of these companies.

These transactions were carried out in the normal course of operations and on terms and conditions that would be similar to those of non-related parties.

The Corporation occupies premises for which no rental fee is charged by the shareholder. Management estimates the annual cost to lease the premises is approximately $661 (2007 – $627).

16. Employee pension plan:

Employees of the Corporation participate in the Public Service Superannuation Fund (the "Plan"), a contributory defined benefit pension plan administered by the Province of Nova Scotia, which provides pension benefits based on length of service and earnings. Contributions to the Plan are required by both the employees and the employer. Total employer contributions for 2008 were $387 (2007 – $326) and are recognized as an expense in the year. The Corporation is not responsible for any under-funded liability, nor does the Corporation have any access to any surplus that may arise in this Plan.

17. Comparative figures:

Certain 2007 comparative figures have been reclassified to conform with the financial presentation adopted per the current year.

Schedule of Operating Expenses

(in thousands of dollars)
Year ended March 31, 2008, with comparative figures for 2007

	2008	2007
Business development	$ 2,056	$ 2,568
Legal and audit	259	271
Office expenses	329	347
Other	152	154
Salaries and benefits	6,003	5,758
Telecommunications and technical support	351	341
Travel	873	840
	$ 10,023	$ 10,279

Schedule of Nova Scotia Business Fund Expenses

(in thousands of dollars)
Year ended March 31, 2008, with comparative figures for 2007

	2008	2007
Amortization	$ 168	$ 188
Commissions	67	70
Interest	7,263	7,527
Legal	1	2
Repairs and maintenance	349	485
	$ 7,848	$ 8,272

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